WORKING CAPITAL FUND
U.S. DEPARTMENT OF ENERGY

FISCAL YEAR 2001: ANNUAL REPORT

November, 2001

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Message from the Fund Manager

FY 2001 Report

FY 2001 was the fifth full year of Working Capital Fund (Fund) operation, and we can all look back on the first five years of the Fund with pride. Since FY 1997, the Fund has provided uninterrupted goods and services to our program customers while saving the Department $8 million/ year or nearly 10% ($15 million/year when adjusted for inflation). Through the use of market-like responses to customer requirements, supplies of goods and services have been rationalized without sacrificing the products our customers demanded. Credit for this achievement belongs to our business managers, program customers, and the policies and efforts of the Board.

Together we are achieving our goals of **:**

- increasing the efficiency of the Department’s operations by having the cost of administrative services reflected in day-to-day decision-making by program managers;
- improving the management of administrative services through use of flexible and business-like financing methods;
- and, providing an accurate full-cost budget for programs and activities, including indirect costs wherever possible.

The Fund is uniquely positioned to support DOE Management Goals.

- Competitive Sourcing – Creates market-like framework for sourcing of internal services. Creates full-cost environment for other services.
- Budget/Performance Integration – WCF budgets can be directly liked to outputs that form the basis for pricing.
- Management Cost Savings **–** Current WCF has saved $8 million/year when compared to pre-WCF era.

Fund management is currently reviewing the strengths and weaknesses of the Fund in order to identify new opportunities and necessary improvements. We envision the fund as a tool for DOE management to finance common services and organize corporate efforts in a business-like manner.

Income Statement

Overall, the Fund earned $5.8 million more than expenses in FY 2001, resulting in a net gain of $7.5 million over FY 1997-2001 (Table I), just 1.8% of earnings ($409.5 M) over the five-year period. The cumulative net earnings derive primarily from two businesses, Building Occupancy ($6.9 M) and Copying ($1.6 M). The net gain in Building Occupancy is due largely to earning customer funds prior to obligating those funds on construction projects and subsequently reporting related expenses. Because of the future liabilities associated with the work in progress, this net gain does not result in availability as unencumbered cash resources. As Table I illustrates, results varied substantially among businesses, but the overall result for the first five years has been substantially a breakeven situation, in line with congressional and departmental policies.

Working Capital Fund Business Results Summary ($ Millions)

	FY 2001 Earnings	FY 2001 Expenses	Net Earnings FY 2001	Net Earnings FY 97 – 01
Supplies	$ 1.3	$ 1.8	$ -0.5	$ -1.1
PAPERCLIPS	1.5	1.5	0.0	0.0
Mail	1.7	1.8	-0.1	0.0
Copying	2.4	1.9	0.5	1.6
Printing & Graphics	4.1	3.6	0.5	0.6
Bldg Occupancy	56.4	51.7	4.8	6.9
Phones	6.8	6.6	0.2	-1.3
Desktop	1.2	1.3	-0.1	-0.3
Network	6.2	7.0	-0.8	0.3
Contract Closeout	0.7	0.6	0.2	0.3
Payroll Services	3.1	2.0	1.1	0.5
EIS	0.0	0.0	0.0	0.0
Total	$ 85.4	$ 79.8	$ 5.8	$ 7.5

As explained in more detail later in this report, key factors explaining earnings/expense variations of over $50,000 in FY 2001 are as follows:

Losses for Supplies and Mail were expected and are related to supply inventory and Quicksell write-offs and Mail customer discounts. These businesses are expected to break even in FY 2002. Profits for both copy and printing and graphics are due in part to under-reporting of costs $0.4 million and $0.2 million respectively. Printing and Graphics also made extraordinary profits of $0.2 million from new printed products and above standard graphics charges authorized by the Board during FY 2001. The business is reviewing its pricing policy.

Building Occupancy earned $4.8 million profit due to $1.5 million in rent reductions and $2.7 million capital improvement projects awarded in FY 2001 but not completed. As new projects are started and current projects are completed, we expect the net cash flow from the business to remain near zero over the coming years. There is an additional $0.6 million pre-financing for FY 2002 contracted activity.

The IT businesses experienced cash shortages related to cost overruns. Although the telephone business earned $0.2 million profit, capital acquisitions during FY 2001 forced the business to borrow $0.5 million unearned cash from the Fund. The CIO contributed $0.3 million cash to keep the Desktop business solvent. Network lost $0.8 million due to prior year costs related to DYNCORP and over-budget DOEnet costs. We will be organizing a thorough review of these businesses during the first quarter of FY 2002 in order to make recommendations to the Board.

Contract Closeout profits are the result of productivity improvements. Payroll profits ($1.1 M) are the result of deferring the implementation of PeopleSoft Pay. The business has been keeping the Board appraised of outsourcing alternatives, for which transition costs the cash balance is earmarked.

Balance Sheet

The Fund's Financial Statements this year include its balance sheet for the first time. The balance sheet, among other items, highlights where the Fund records any net earnings. Much of the earnings are obligated balances to pre-finance activities of the coming year. Although the business lines minimize these balances, the staggered contract periods frequently overlap with fiscal years and thus require advance funding on contracts. Some of the earnings remain in unobligated balances. These earnings provide the basis for business investment in cost savings, cash for capital acquisitions, and, as in the case of the IT businesses this year, cash to finance costs in excess of earnings. Building Occupancy carries the majority of its earnings as obligated balances on contracts. Copying and Payroll carry their earnings as unobligated balances.

The combination of unearned customer advances and results of operations resulted in $9.4 million of unobligated balances at the end of FY 2001. This amount is approaching the threshold of allowable carryover. Fund businesses used this carryover to finance six weeks of activities since October 1 without appropriations. At this time we do not recommend reducing these balances either through customer discounts or refunds. However, we will watch earnings next year to determine whether they are creating excess profits for the Fund.

Based on our analysis of Fund capital requirements for the next five years, we believe that the businesses can finance their capital requirements from operations and from the use of accumulated net earnings.

Financial Controls

In terms of other aggregate financial measures, I am pleased to report that all customers paid their bills, there were no violations of fund control guidelines, and the billing system continues to provide timely and accurate information to customers. The Fund continues to receive good cooperation from the Capital Accounting Center management and staff.

One area of continuing concern is the need for clear, timely, and accurate financial reports at the business line level, where managers are being asked to focus concurrently on traditional Federal budget accounting and on business-type financial reporting. Last year we hired a contractor to develop financial templates that could accept detailed DISCAS accounting reports and translate such reports into more user-friendly information displays on the desktop. These reports are being continuously modified and we are working with business managers to further integrate their use by the businesses.

Performance Report

This year's annual report again provides a descriptive section on each of the businesses. In addition to providing background on each business, these reports highlight business performance using balance scorecard measures developed in the FY 2001 Five-year Plans. These business plans will be updated in the second quarter of FY 2002 in order to:

$ Meet the expressed need of the Board for more out-year information on investments, operating levels, and pricing; we are asking the businesses to consider a five-year planning horizon to address these needs.

$ Help each business line organization understand all dimensions of a strategic business unit: Customer, Financial, Business Process Improvement, and Learning and Growth.

$ Help each business unit to move toward performance management principles and concepts by organizing results information in a more coherent manner.

As can be seen from the remainder of this annual report, the list of business line accomplishments is long and significant. In addition to fulfilling their service commitments to customers, the business lines continue modernization efforts and process improvements. For example:

- PAPERCLIPS, the office supply store name assigned by Winston-Salem Industries for the Blind, an affiliate of the National Industries for the Blind (NIB), began store operations on March 26, 2001.
- The Copying business line installed 35 digital copiers, which feature fewer moving parts and provide a link to communication networks and information technology.
- Printing and Graphics processed 1,628 print requests and 6,965 graphics requests for customers.
- Building Occupancy eliminated 16 of 112 barriers to persons with disabilities. (Total to date: 64 of 112 barriers eliminated) and installed energy efficient fragment retention film on all the windows of the Forrestal Building. The business also contracted to install a 1750 KW diesel generator system for Germantown. Installation is in process to be completed in February 2002.
- The Telephone business replaced the Battery plant at the Forrestal and Germantown complex that provides backup power for the MSL-100 Telephone Switch and completed phase two of “Keep It Current” (KICII) MSL100 Telephone Switch Software Upgrade. It implemented FTS2001, long distance service, reducing rates from $0.05 to $0.03 per minute along with a new contract for local phone service that will save $54,000 annually.
- The Desktop business addressed 61,600 virus incidents.
- The Network business maintained network infrastructure availability for our users at greater than 99.9%. It also improved the help desk by implementing a Call Telephony Integration (CTI) product for improved help-desk management and responsiveness to customers' problems and expanding help-desk on-site availability by 25% (6 AM - 9 PM) without additional cost. The business upgraded DOE Internet connection to a full DS-3 circuit with a Permanent Virtual Circuit of 45mb (a 300% improvement in throughput), which provides more responsive and reliable Internet connections.
- The Payroll business completed an independent study to identify alternatives and determine the feasibility of outsourcing the payroll functions. It also partnered with CHRIS-HR to

enhance the ESS that provides employees with electronic Leave and Earnings Statements and allows employees to independently submit requests to affect their payroll deductions and/or entitlements

Looking Ahead

The Working Capital Fund business lines face a number of challenges over the coming months, some of which will require Board guidance:

DOE has outsourced Supplies operation to a JWOD contractor, so internal business operations are not an issue. We are experimenting with software that will give program office managers more visibility on the types of purchases made, and we expect to roll out a pilot version of a web-based system later this year

The Mail business was operating smoothly before September 11. There is a question about whether new equipment is needed or operations need to be adjusted to enhance employee and customer security.

The Copying business has accumulated over $1 million in profits. The main issue is whether to (a) invest these profits in a new "digitization" business that allows DOE offices to convert their paper records to electronic form, (b) divert the profits to some other business, or (c) return the funds to customers.

The Telephone cost structure needs review, because we are using old accounting methods that reflect 30-year depreciation of switches, but the current reality is that software upgrades and refreshment are on a much shorter cycle. Also, there should be a zero-base review of infrastructure costs, since charges are based on 1997 analysis.

The DOENet component is priced in a way that creates disincentives to field and program offices to use the most efficient systems.

The Desktop business has been gradually failing as customers' requirements shift from repairing equipment and certain training. The help desk is linked to Deputy Secretary Blake's consolidation initiative. It is uncertain what role the Fund should take in its implementation.

We need to decide whether to outsource the payroll to GSA, including an understanding of the implications for the "head tax" now collected by the Fund and the implications for CHRIS?

The Energy Online Learning Center (OLC) had a smooth transition from pilot year in FY2001 to full implementation in FY2002. A total of forty Field and Headquarters organizations have already purchased a total of 3,791 subscriptions to the OLC for FY2002. In an effort to meet the learning needs of Department employees, the number of business management and leadership courses has been increased to over 500 available to users. We expect that the utilization of the OLC to increase because of the expected increased availability of DOE specific courses that will be posted to the system. More specifically, the Office of General Council will be making the "Ethics" course available on the OLC this fall. Also in an effort to integrate the OLC with other training programs and activities, OLC courses will be used to supplement existing DOE Programs and curriculum as pre-reading, to support course objectives, to meet job related competencies, and to meet individual development needs. The OLC will be a robust web-based training and knowledge management system available Department-wide to meet the learning needs of employees.

Finally, I would like to thank the many people who made the Fund a success in its fifth year. Within my immediate office, this includes Bob Emond, who managed financial matters on a day-to-day basis and contributed to the Five-year Business Plans, and Roscoe Harris and Ingrid Robinson, who made the billing and other financial reporting systems a success in addition to performing research on a variety of WCF business issues. In addition, the business line officials, the CFO staff, and the customer resource managers all contributed greatly to this success.

Financial Statements of the Working Capital Fund

Relation of Earnings to Expenses

Overall, the Fund earned $5.8 million more than expenses in FY 2001. When added to corrected results for prior years[1], the Fund has had net earnings of $7.5 million over FY 1997-2001 (Table I), or approximately 1.8% of earnings over the five year period. As Table I illustrates, results varied substantially among businesses, but the overall result for the first five years has been substantially a breakeven situation, in line with congressional and departmental policies.

The investment potential of profits in Building Occupancy ($6.9 M) and Copying ($1.6 M) businesses will be discussed with the Board. Losses in Supplies ($1.1 M) and Telephones ($1.3 M) are non-cash losses reflecting inventory depletion and depreciation of assets that do not need to be replaced. Expenses have been adjusted on a business line basis to reflect purchases of capital assets, changes in inventory levels and prepaid postal charges.

Table I: FY 2001 Year End Business Results
(dollars in millions)

	Earnings	Expenses	Net Earnings FY 2001	Net Earnings FY 97 – 01
Supplies	$ 1.3	$ 1.8	$ -0.5	$ -1.1
PAPERCLIPS	1.5	1.5	0.0	0.0
Mail	1.7	1.8	-0.1	0.0
Copying	2.4	1.9	0.5	1.6
Printing & Graphics	4.1	3.6	0.5	0.6
Bldg Occupancy	56.4	51.7	4.8	6.9
Phones	6.8	6.6	0.2	-1.3
Desktop	1.2	1.3	-0.1	-0.3
Network	6.2	7.0	-0.8	0.3
Contract Closeout	0.7	0.6	0.2	0.3
Payroll Services	3.1	2.0	1.1	0.5
EIS	0.0	0.0	0.0	0.0
Total	$ 85.4	$ 79.8	$ 5.8	$ 7.5

[1] Net earnings for the first four years of the Fund were $1.7 million. As reported to the Board during FY 2001, the prior net earnings estimate of $2.1 million was reduced to reflect $1 million in prior year Network costs. This was offset by an increase in Payroll net earnings by $0.3 million to reflect an error in recording depreciation plus other minor adjustments.

Key factors explaining earnings/expense variations of over $50,000 follows:

The **Supplies** business line earned $0.5 million less than expenses due to prior year costs and writing off obsolete inventory and its capital asset. This loss was anticipated and discussed in previous quarterly reports. The Supplies business line discontinued operations March 25, 2001. PAPERCLIPS, the office supply store name assigned by Winston-Salem Industries for the Blind, an affiliate of the National Industries for the Blind (NIB), initiated its service March 2001. PAPERCLIPS should generate no net income because its costs are passed directly to customers, as demonstrated by its breaking even in FY 2001.

The **Mail** business line was expected to have a loss in FY 2001, due to Fund Manager's decision to reduce internal distribution billings to customers in FY 2001 as a way of refunding a surplus that had developed in prior years. That surplus was attributable largely to the recognition of prepaid purchases of postage for postage metering machines, a form of business asset that was not included in initial Fund financial statements.

The **Copy** business line earned $0.5 million in excess of expenses. However, the business under-accrued for its copier lease by $0.4 million, which invoices were paid in early FY 2002 and will impact net earnings for the business in FY 2002.

The **Printing and Graphics** business line earned $0.5 million in excess of expenses. Some of these earnings ($0.2 M) were related to new product offerings of pre-printed stationary and non-standard graphics services. The business also did not accrue for support services ($0.2 M), which expenses will impact net earnings for the business in FY 2002.

The **Building Occupancy** business line earned $4.8 million in excess of expenses. The business manager informed the Board in the third quarter review that additional rent savings of $1.5 million were available. The business believed that this surplus should be used to forward fund FY 2002 infrastructure improvements. The building working group approved its recommendation subject to approval by the full Board. A vote on this issue is planned for the next Board meeting. As a result of the early shut down of new procurements in August 2001, unobligated balances of $0.6 million are available for early FY 2002 activities. The business treated the full $3.0 million infrastructure improvements planned for FY 2001as earned, but most of the work has not been completed ($2.7 M) and not reflected in business expenses. Since the remaining expenses will be reflected in FY 2002, this portion of the business line surplus is not available for other uses.

The **Telephone** business line earned $0.2 million in excess of expenses due primarily to infrastructure cost reductions of approximately $250 thousand resulting from full-year implementation of new switching equipment at L"Enfant Plaza. However, the business did experience a cash flow shortfall of $498 thousand due to the purchase of the L'Enfant switch as well as two other capital assets (batteries and an equipment service agreement) totaling $1.1 million. To cover this extraordinary cash requirement, the Fund Manager extended an advance from unencumbered prepayments on a temporary basis. This advance will be restored to the Fund in FY2002 with the anticipated receipt of surplus cash and continued cost savings totaling about $650 thousand.

The purchase of equipment does not have a significant short-term impact upon the P&L of the business because costs are amortized in relatively small amounts over a long period of time. Although Table I above indicates that net earnings for Telephone services over the first five years of the Fund have been negative (-$1.3M), this balance does not represent a real cash loss for that period. Rather, it is a "book loss" caused by the accounting recognition of depreciation expenses during the first three years of operation without corresponding revenues to offset such costs. This is because the business did not assess charges for an equipment replacement reserve until FY2000. It is considered that neither the current cash flow shortfall nor the 5-year net loss has adverse implications for the underlying, long-term financial stability and viability of the business. Business line management will continue to seek infrastructure cost reductions through technological innovation and efficiency but does not expect to propose pricing policy changes during FY2002.

The **Desktop** business earned $0.1 million less than expenses due to declining demand for its services. Despite cost reductions in the infrastructure and training enterprises of the business (totaling approx. $225K), savings did not keep pace with available revenues. The business is undergoing internal review for costs savings related to redefined supplier cost structure. As a result of the FY 2001Third Quarter Review the CIO contributed $255 thousand to offset losses and build up equity in the business.

The **Network** business line earned $0.8 million less than expenses. This is due largely to the recognition of prior year expenses totaling $549 thousand which were previously unreported. Had these costs been recorded in the accounting periods to which they apply, net operating results through the first four years of the Fund would have reflected an essentially break-even pattern. In addition, the business line decreased customer charges for DOEnet services, based upon anticipated cost reductions of approximately $398 thousand for the year. However, cost savings were effected at a slower rate than expected, resulting in a net earnings deficiency in DOEnet operations of about $96 thousand. LAN infrastructure charges increased beyond the fixed level basis of the pricing policy by about $200 thousand due to extraordinary expenses incurred for parts and materials. Because the business had no available cash reserves with which to cover these extraordinary one-time expenses, the Fund Manager extended a temporary advance of $0.8 million to close FY 2001.

As indicated in Table I above over the first five years of business operations, net earnings for Networking services have been positive ($0.3M). It is considered that infrastructure costs will continue to decline moderately and that business costs and revenues will remain appropriately balanced during the next year. However, it is expected that the cash flow deficiency experienced in the current fiscal year will remain an issue in FY2002 and beyond. This shortage originated with the acquisition of critical capital assets in FY1998 (totaling approximately $1.0M) and will persist until an adequate equity reserve can be established to provide for the replacement of essential infrastructure.

The **Closeout** business line earned $0.2 million in excess of expenses. The business line is reviewing possible ways to invest this equity to reduce future closeout costs.

The **Payroll** business line earned $1.1 million in excess of expenses. This profit was anticipated and discussed with the Board in the Third Quarter Review. The business manager determined that the PeopleSoft payroll product could not be implemented successfully and avoided related implementation expense. Due to the possibility of outsourcing payroll and related implementation expense, the Board voted to keep the equity in the business for FY 2002.

Pricing Policy

Pricing policy changes are possible for the Desktop and Network businesses. FY 2002 alternative service delivery mechanisms for the Telephone business are likely to eliminate the need for pricing changes. Profits earned in Printing and Graphics and Payroll businesses could result in pricing policy changes for FY 2003 if not sooner.

Ending Balances

In FY 2001 assets increased by $6.0 million as a result of business profits. Decreased value of Capital Equipment (-$0.9 M), and Advances and Prepayments (-$0.3 M) offset net increases to cash related to increased payables ($1.9 M) and decreased unearned customer advances (-$0.7 M). Capital equipment is declining as a result of technology improvements that decrease infrastructure costs. Software and equipment replacement costs are either below the threshold for capitalization or far less expensive to acquire. Supply inventory was sold to PAPERCLIPS creating a receivable ($0.2 M) and an increase to cash equal to the reduction in inventories.

Liabilities increased by $0.7 million as increases in payables ($1.9 M) was offset by decreases in unearned advances (-$1.2 M). The increase in Net Position ($5.3 M) is related to the increased cash in the asset account due to business profits and contributed capital less a $1.0 million capital purchase in telephones.

Table II. WCF Balance Sheet FY 2001/FY 2000
($ Thousands)

		As of September 30, 2001		As of September 30, 2000	
ASSETS:					
	Fund Balance with Treasury		**$ 37,455**		**$ 30,168**
	Accounts Receivable, Net		**561**		**0**
	Advances and Prepayments		**156**		**456**
	Supplies Inventory		**168**		**759**
	Original Purchase Price	**22,193**		**22,238**	
	LESS: Accum Depreciation	**10,589**		**9,704**	
	Property and Equip, Net		**11,604**		**12,534**
TOTAL ASSETS:			**$ 49,944**		**$ 43,916**
LIABILITIES:					
	Accounts Payable		**$ 15,355**		**$ 13,523**
	Unearned Customer Advances		**6,261**		**7,450**
	Contract Holdbacks		**156**		**62**
TOTAL LIABILITIES:			**21,772**		**21,034**
NET POSITION:					
	Invested Capital		**18,545**		**18,545**
	Cum Results of Operations		**9,627**		**4,337**
TOTAL NET POSITION:			**28,172**		**22,882**
TOTAL LIABILITIES AND NET POSITION:			**$ 49,944**		**$ 43,916**

The impact of balance sheet items for each business will be completed in time for the FY 2002 First Quarter Report.

Relation of Customer Payments to Anticipated Customer Billings

By the end of FY 2001 all customers had made advance funds equal to or greater than actual billings. The surplus advances are available to customers for FY 2002 billings. In the beginning of FY 2002, this carryover financed the first six weeks of operations in the absence of appropriations.

The Dispute Resolution Council presided over one dispute in FY 2001 related to DOEnet. The Board voted to uphold the Western Area Power Administration bill and asked the Office of CFO to determine the proper funding source for payment.

Table III. Comparison of Advances to Billings
(dollars in millions)

	Advances	Billings	% Collected
Supplies	$3.8	$2.8	136%
Mail	2.4	1.7	141%
Copying	3.8	2.3	165%
Printing & Graphics	4.1	4.1	100%
Bldg Occupancy	56.4	56.4	100%
Phones	7.8	6.8	115%
Desktop	1.4	1.3	108%
Network	7.4	6.2	119%
Contract Closeout	0.9	0.7	129%
Payroll Services	3.2	3.1	103%
EIS	-	-	0%
Total	$91.2	$85.4	107%

Relation of Payments to Obligations by Business Line

There have been no violations of administrative control of funds procedures by Working Capital Fund business lines.

At the end of FY 2000 the fund had received advances of $7.6 million in excess of obligations. For FY 2001 we received a further $84.4 million in customer advances for a cumulative availability of $92.0 million, as shown in Table IV.

Overall, businesses are carrying $9.4 million in unobligated customer advances into FY 2002. It should be noted that these balances are not unencumbered assets, in the sense that they subsume the liabilities associated with excess customer advances, as set forth in Table IV.

Balances set forth by the business lines below exclude amounts available to the Fund Manager for training and contractual services, as contributed by MA.

Table IV: FY 2001 Annual Business Results: Federal Agency Basis
(dollars in millions)

	Unobligated Balance 10/00	Current Year Customer Advances	Total Available	Obligations	Unobligated Balances 9/01
Supplies	$1.0	$2.8	$3.8	$2.8	$1.0
Mail	0.6	1.8	2.4	1.7	0.7
Copying	1.3	2.5	3.8	2.4	1.4
Printing & Graphics	0.2	3.9	4.1	3.5	0.6
Bldg Occupancy	1.0	55.4	56.4	54.6	1.8
Phones	0.7	7.1	7.8	7.4	0.4
Desktop	0.1	1.3	1.4	1.5	(0.1)
Network	0.3	7.1	7.4	6.9	0.5
Contract Closeout	0.1	0.8	0.9	0.7	0.2
Payroll Services	0.0	3.2	3.2	1.0	2.2
EIS	0.0	0.0	0.0	0.0	0.0
Indirect	2.3	(1.5)	0.8	0.1	0.7
Total	$7.6	$84.4	$92.0	$82.6	$9.4

Changes in Budget Estimates

As shown in Table V.a, the original FY 2001 estimate for the Working Capital Fund overall was $83.6 million. As of the end of September, actual fiscal year billings for all business lines totaled $85.4 million. Overall costs for the FY were within $1.8 million (2.2%) of the original budgetary estimates. The majority of the difference is due to rent reductions ($3.4 M) offset by adding DOENet ($2.7 M), customer directed building alterations ($1.6 M), and greater than expected customer orders for Printing and Graphic services ($0.9 M).

Table V.a: FY 2001 Budget Estimate Accuracy
(dollars in millions)

TABLE V : FY 2001 Budget Estimates for WCF Businesses		
Date	**Process**	**FY 2001 Billing Estimate ($Millions)**
May 1999	FY 2001 Corporate Review	$83.6
December 1999	FY 2001 Congressional Budget	$80.2
August 2000	FY 2002 Corporate Review	$83.3
December 2000	FY 2002 Congressional Budget	$83.9
October 2001	FY 2001 Final WCF Bill	$85.4

Customer Detail of Budget Estimates

Table V.b. analyzes the absolute dollar and percentage variation by customer between the estimates associated with the FY 2001 column of the FY 2002 Request to Congress and the actual billings. There is only one organizational unit **(in bold)** for which there were deviations in excess of 10% this year. Naval Reactors' WCF requirements declined when the program moved from DOE funded space.

Table V.b: FY 2001 Budget Estimate Accuracy by Customer
(dollars in thousands)

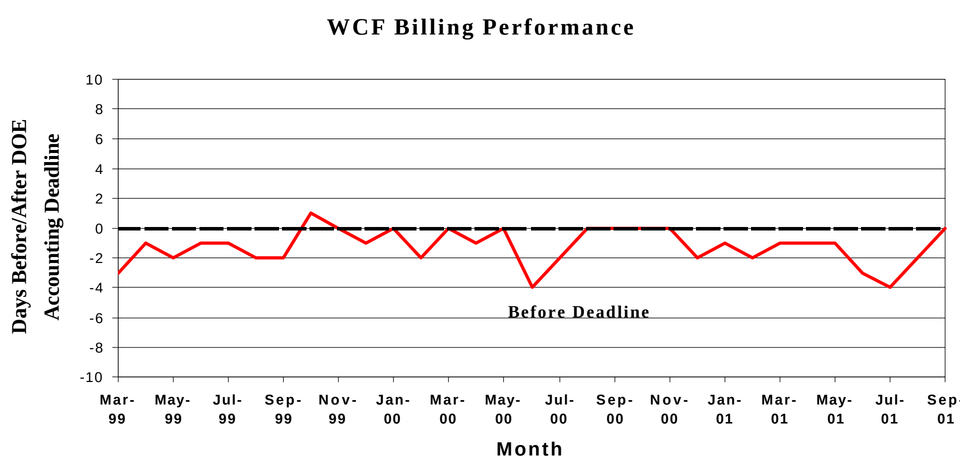
	FY 2002 Congressional Budget	FY 2001 Actual Billings	Absolute Change	Absolute Change %
Board of Contract Appeals	235	239	4	2%
Bonneville Power Administration	155	158	3	2%
Cong. & Intergov'l Affairs	683	674	9	1%
Counterintelligence	784	832	48	6%
Chief Financial Officer	2,919	3,154	235	8%
Economic Impact and Diversity	705	703	2	0%
Energy Efficiency	5,779	6,301	522	9%
Environment, Safety, and Health	4,494	4,254	240	5%
Energy Information Admin	7,174	7,277	103	1%
Environmental Management	7,812	7,638	174	2%
Fossil Energy	3,218	3,427	209	6%
General Counsel	2,702	2,667	35	1%
Hearings and Appeals	1,038	992	46	4%
International Affairs	930	924	6	1%
Inspector General	1,766	1,684	82	5%
Intelligence	1,069	1,105	36	3%
Management and Administration	11,723	12,182	459	4%
Nuclear Energy	1,525	1,477	48	3%
National Nuclear Security Admin:	9,690	10,306	616	6%
Defense Programs	5,459	5,720	261	5%
Nuclear Nonproliferation	3,489	3,769	280	8%
Naval Reactors	742	334	**408**	**55%**
Oversight & Perf. Assurance	420	387	33	8%
Public Affairs	837	832	5	1%
Policy	684	709	25	4%
Civilian Radioactive Waste Mgmt	1,394	1,296	98	7%
Office of the Secretary	863	799	64	7%
Secretary of Energy Advisory Bd	210	209	1	0%
Science	3,962	3,941	21	1%
Security & Emergency Operations	9,763	9,967	204	2%
WAPA/SWPA/SEPA	976	903	73	7%
Worker Transition	386	355	31	8%
Total	83,893	85,393	4,379	5%

Financial Management Systems

On September 24, 1999, the Inspector General conducted its last periodic audit of the Working Capital Fund, concluding that “The Fund was operated in compliance with the required administrative controls, used performance measures appropriately, and implemented actions to correct problems identified in the prior period where feasible.” The audit did not make any recommendations.

The WCF billing system continued to successfully produce timely and accurate monthly bills. The chart below indicates the billing performance related to transferring customer-billing information to DISCAS by the fifth working day of the month. This allows the Fund staff, with the cooperation of CFO officials, to have the billings entered into DISCAS each month before the accounts are closed. A minus two (-2) indicates that billing was forwarded two days before the deadline. This standard provides customers with costs reported in DISCAS in the same month they occur. The time between the end of the month and the issuance of the bill is extremely consistent. Process improvements that would result in timesaving are no longer meaningful.

WCF Billing Performance



The Fund Manager analyzed Working Capital Fund capital assets in FY 2001 in order to rationalize these assets and determine the liability related to funding their replacement. The capital plan highlighted requirements for telephone switches, new copiers, and software and hardware requirements of Payroll and CHRIS businesses. Our capital requirements could likely decline in the future as technology improvements decrease computing and communication infrastructure costs. We expect current earnings should be adequate to finance current capital requirements.

WORKING CAPITAL FUND
U.S. DEPARTMENT OF ENERGY

Supply Business Line

FY 2001 Annual Report

Financial Summary	**FY 2001 Earnings** *(millions)*	**FY 2001 Expenses** *(millions)*	**Net Earnings FY 2001** *(millions)*	**Net Earnings FY 1997-2001** *(millions)*
DOE Supply Business	$1.3	$1.8	-$0.5	-$1.1
PAPERCLIPS	$1.5	$1.5	$0	$0

FY 2001 Achievements

- The Supply Business shut down operations in March 2001. Over its four and a half years of operations, the business lost over $1 million, due largely to write-off of obsolete or unusable inventory. Discontinued operations resulted in sales of the remaining $588 thousand inventory to PAPERCLIPS, and Copy and Printing businesses.
- PAPERCLIPS, the office supply store name assigned by Winston-Salem Industries for the Blind, an affiliate of the National Industries for the Blind (NIB), began store operations on March 26, 2001.

Background

PAPERCLIPS operates two main stores and one satellite self-service store, which carry a wide variety of consumable office products. The supply business also obtains non-stocked items for customers. Our customers are employees of the Department's program offices. The offices are then billed for employee purchases.

Defining Success

Because of the contractual nature of DOE's relationship with the service provider the measures of success are customer demand and customer satisfaction. Customer demand is measured by continuing purchases. Customer satisfaction can be measured by surveys. We are deciding whether to survey customers in FY 2002.

Financial Overview

The DOE Supply business line lost $0.5 million in its last year of operations due mainly to prior year adjustments ($0.3 million) and write-offs ($0.2million). Sale of supply inventories resulted in $0.6 million in cash, which will be used to finance operations at the beginning of each fiscal year during the period when customers do not have appropriations. The inventory assets are the residual value of inventory contributed to the Fund at its inception.

PAPERCLIPS financial performance should always break-even, since billings to customers equal costs to the DOE. Performance for the last six months of FY 2001 was breakeven.

Mail Services Business Line

FY 2001 Annual Report

Financial Summary	FY 2001 Earnings *(millions)*	FY 2001 Expenses *(millions)*	Net Earnings FY 2001 *(millions)*	Net Earnings FY 1997-2001 *(millions)*
	$1.7	$1.8	($0.1)	$0.0

FY 2001 Achievements

- Identified vendors that provide express same day mail delivery to most major cities, and two days to some international countries service.
- Offered discounts service costs for 1st Class letters and bulk Standard A (500 minimum).
- Networked all of the Mail Manager Systems to improve the reporting process for the mail reports.

Background

The Mail Services Business Line was part of the original Fund in FY 1997. The purpose of the Business Line is to provide the highest possible level of DOE customer satisfaction with mail operation, within the limits of the Working Capital Fund. The DOE Mail Center provides a variety of mail services for all official and other authorized mail for DOE and its employees. These services include the processing of all incoming postal mail, outgoing official mail, internal mail processing, and special services including accountable mail processing, pouch mail, a variety of overnight express mail services, directory services, and pick-up and delivery services. Mail Centers are found at the following locations:

- Forrestal Building—Room GL-084:
  1000 Independence Avenue, SW
  Washington, DC 20585
- Germantown Building—Room E-066:
  19901 Germantown Road
  Germantown, MD 20874
- 270 Corporate Center—Room 1003:
  20300 Century Boulevard
  Germantown, MD 20874

A mix of Federal and contractor staff performs these functions. Program offices are charged for mail services based on the number of Mail Stops at the start of the fiscal year in their Headquarters offices that report to their Administrative Officer (AO).

Defining Success

The business has adopted the following balanced scorecard objectives as the basis for measuring success.

Mail Business Balanced Scorecard Objectives

	Customer	
	Reduce the amount of time to process and deliver internal mail.	
Financial		***Internal Processes***
Reduce customer's mailing costs by utilizing presort mail rates.		Maintain the highest security standards for incoming, outgoing, and internal mail distribution.
	Learning and Growth	
	Enhance the effectiveness, knowledge, and satisfaction of Mail Service Business Line employees.	

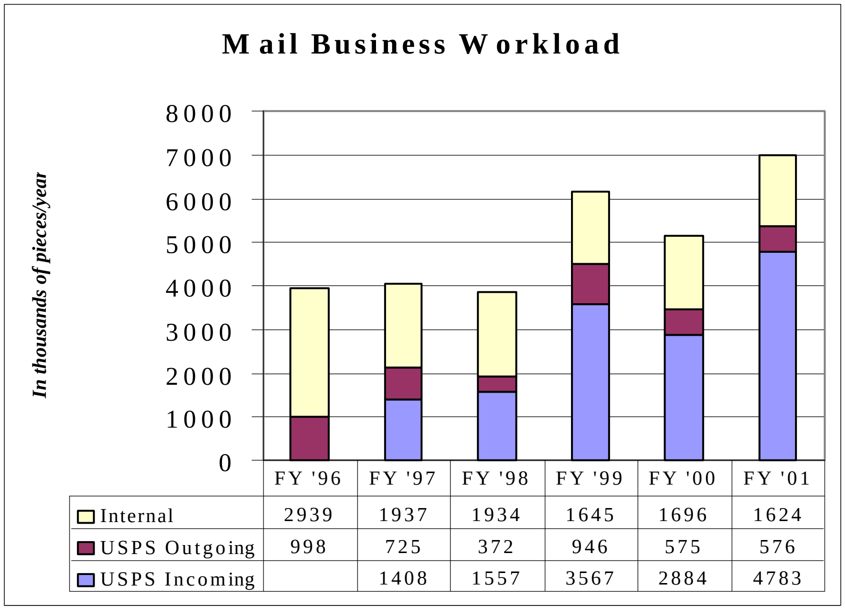
During FY 2002, a customer survey is planned, as one key basis for measuring progress.

Business Line Trends

The mail business handled approximately 7 million pieces of mail during FY 2001. The volume of mail activity has tended to increase over the period since the Fund was created, as shown in the figure and table on the following page. With the creation of the Fund in FY 1997, program offices became responsible for paying for outgoing USPS mail, and the volume of such mail has remained relatively small. There has also been a trend toward reduced interoffice distribution of hard copy documents, likely due to increase use of e-mail. However, the volume of incoming USPS mail has been increasing dramatically, and the business line intends to conduct an analysis in FY 2002 on the reasons for and implications of these trends.

FY 2001 Financial Overview

The Mail Business earned $0.1 million less than expenses. This loss was related to the Fund Manager's decision to discount the price for mail stops to reduce the net earnings from previous years. This discount is discontinued in FY 2002.



Mail Business Line Workload Measures							
	Incoming USPS Mail	Internal Mail	Outgoing USPS Mail	Special. Services In	Special Services Out	Program Mail Stops	Common Mail Stops
FY '96	NA	2,939,000	998,000	NA	NA	150	6
FY '97	1,408,214	1,936,612	724,955	44,612	4,808	122	5
FY '98	1,557,005	1,933,719	371,975	42,000	7,000	103	5
FY '99	3,566,560	1,644,812	946,160	66,646	8,921	97	5
FY '00	2,883,636	1,696,256	574,992	93,040	9,305	96	6
FY '01	4,783,300	1,623,760	576,223	92,488	8,222	98	6

Business Line Officials

Business Line Service Manager: Mary Anderson, 202-586-4318

Business Line Financial Manager John Harrison, 202-586-3611

Service Points of Contact: Anthony Nellums, 202-586-6064
Alvan Majors , 202-586-4338

Photocopy Business Line

FY 2001 Annual Report

Financial Summary

FY 2001 Earnings *(millions)*	FY 2001 Expenses *(millions)*	Net Earnings FY 2001 *(millions)*	Net Earnings FY 1997-2001 *(millions)*
$2.4	$1.9	$0.5	$1.6

FY 2001 Achievements

- The Copying business line installed 35 digital copiers, which feature fewer moving parts and provide a link to communication networks and information technology.
- In compliance with the Federal Acquisition Regulation, Section 508 of the Rehabilitation Act, the business line replaced 15% of the Walk up copiers in the Forrestal Building.
- Organized and implemented mini supply stores in the Forrestal and Germantown facilities to provide more expedient and cost effective copier supplies to the customers.
- Negotiated with Xerox to get a service liaison person stationed at Forrestal facility to expedite service responses to users.

Background

The Photocopy Business Line was part of the original Fund in FY 1997. The Photocopy Business Line provides convenient and cost-effective duplicating services and dedicated copiers to DOE headquarters organizations at the 3 Germantown Locations as well as Forrestal and L'Enfant Plaza facilities. At main Germantown, Forrestal and L'Enfant Plaza locations, the business line operates a staffed copy center in each location and provides service and equipment for central and dedicated copiers. The Copy Management Staff also perform the following:

- Perform acquisition activities on behalf of program customers
- Confer with customers at all levels to identify their copying requirements
- Arrange for delivery, installation of newly acquired equipment
- Negotiate with the vendors for trade-in discounts
- Coordinate training for key operators and users on newly acquired equipment
- Establish annual maintenance agreements with vendors (including negotiation of most cost-effective terms and conditions).
- Coordinate servicing of the copiers for customers.
- Maintain copier supplies for the various copier models
- Provide automated access control and meter reporting for individual copiers
- Provide door-to-door delivery of paper
- Provide bulk delivery service for xerographic paper (by-the-skid)

- Perform equipment surplus functions, where appropriate
- Represent DOE at monthly vendor functions to keep cognizant of all new state-of-the-art equipment to fulfill our customers many requirements
- Interface with our peers at other government agencies to keep current on any laws and regulations that may affect our current business operations

A mix of Federal and contractor staff performs these functions. Program offices are charged for central and staffed copiers on a cost-per-copy basis, based on the number of copies made by program staff and a full vendor cost basis for its assigned dedicated copiers.

Defining Success

Providing convenient and cost-effective duplicating services and dedicated copiers to DOE headquarters organizations. The Balanced Scorecard objectives in the Photocopy 5-year business plan are as follows:

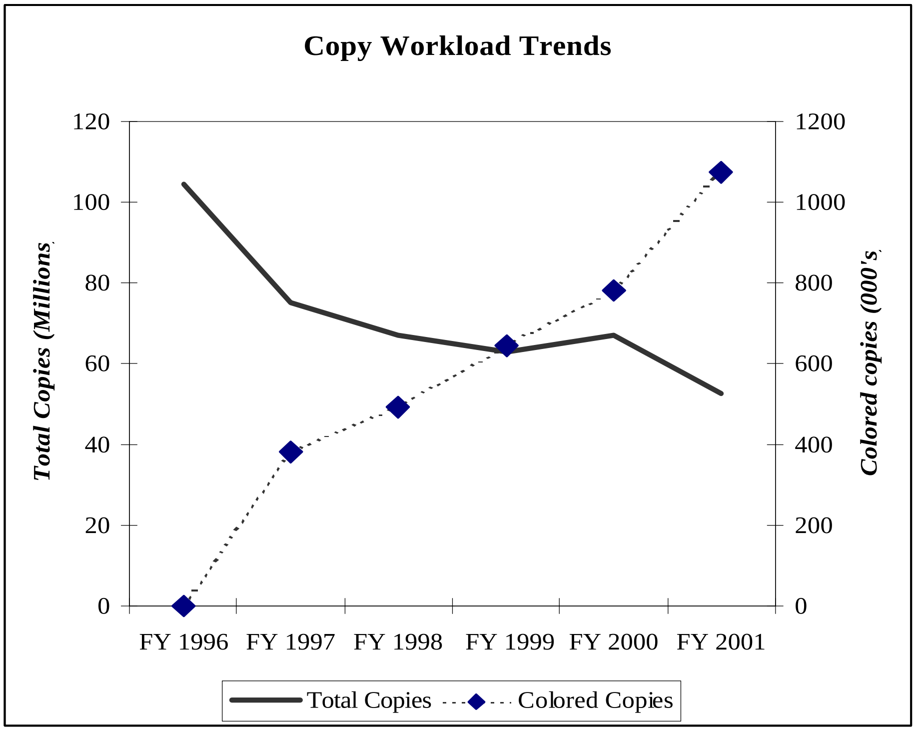
Photocopy Business Line Balanced Scorecard Objectives

	Customer Provide customers with convenient copy facilities and maintain low total cost to the customer.	
Financial Improve efficiency and ensure full cost recovery.		***Internal Processes*** Streamline internal processes and apply technological advancements logically.
	Learning and Growth Enhance the effectiveness, knowledge, and satisfaction of Photocopy Business Line employees.	

Business Line Trends

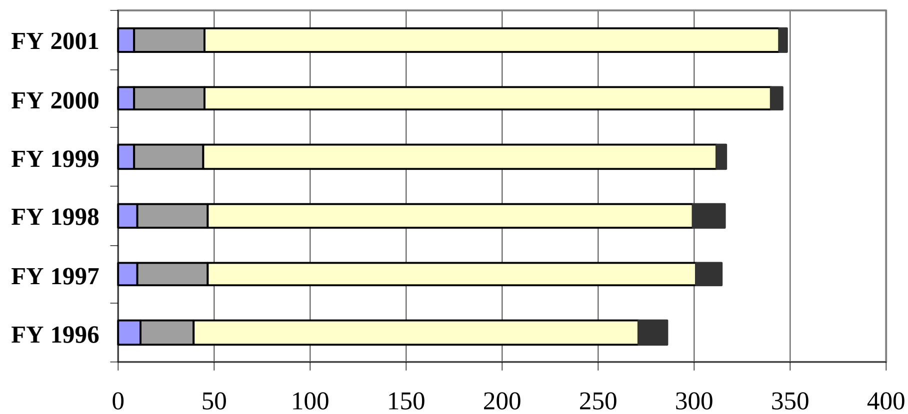
As shown in the figure on the following page, since the Fund was created, the number of total photocopies produced in Headquarters has been cut nearly in half, from over 100 million copies per year in FY 1996 to 52 million in FY 2001. Concurrently, the number of color copies has increased dramatically.

There has been continued growth in the number of dedicated copier machines as shown in the table below, partially explaining the significant reduction in the number of coipies made at central copier locations.



<table>
<tr><th colspan="7">Copying Workload Trends</th></tr>
<tr><td></td><td>FY 1996</td><td>FY 1997</td><td>FY 1998</td><td>FY 1999</td><td>FY 2000</td><td>FY 2001</td></tr>
<tr><td>Color</td><td>NA</td><td>380,511</td><td>492,109</td><td>644,174</td><td>779,730</td><td>1,073,408</td></tr>
<tr><td>Staffed</td><td rowspan="2">66,413,000</td><td>28,528,989</td><td>25,300,145</td><td>20,886,195</td><td>22,099,621</td><td>18,188,158</td></tr>
<tr><td>Central</td><td>18,130,663</td><td>17,023,796</td><td>15,678,090</td><td>17,199,359</td><td>9,467,911</td></tr>
<tr><td>Dedicated</td><td>37,890,000</td><td>27,960,263</td><td>24,146,746</td><td>25,743,953</td><td>27,011,133</td><td>23,901,160</td></tr>
<tr><td>Totals</td><td>104,303,000</td><td>75,000,426</td><td>66,962,796</td><td>62,952,412</td><td>67,089,843</td><td>52,630,637</td></tr>
</table>

Copier Machine Trends



	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
Special	15	13	17	5	6	4
Dedicated	232	254	252	268	295	299
Central	27	37	37	36	37	37
Staffed	12	10	10	8	8	8

Number of Machines

The business has maintained a very competitive pricing structure for copies in comparison to other organizations within and outside the Federal Government, as shown in the following table.

Cost-Per-Copy Comparison		
Organization	**B/W**	**Color Copies**
DOE (central/staffed)	$0.028	$0.50
Agriculture	$0.05	$0.85
Labor	$0.03	$0.40
Transportation	$0.05	$0.75
Kinko’s	$0.07	$1.49
Copy General	$0.06	$0.99
Office Depot (under 1000 copies)	$0.05	$0.99
Staples	$0.07	$0.99

FY 2001 Financial Overview

The Copy business line earned $0.5 million in excess of expenses. However, the business under-accrued for its copier lease by $0.4 million, which invoices were paid in early FY 2002 and will impact net earnings for the business in FY 2002.

Business Line Officials

Business Line Manager: Mary Anderson, (202) 586-4318

Business Line Financial Manager: John Harrison, (202) 586-3611

Service Points of Contact: Joan Harris, (202) 586-2908
Sandra Best-Jackson, (202) 586-5276

Printing and Graphics Business Line

FY 2001 Annual Report

Financial Summary	FY 2001 Earnings *(millions)*	FY 2001 Expenses *(millions)*	Net Earnings FY 2001 *(millions)*	Net Earnings FY 1997-2001 *(millions)*
	$4.1	3.6	$0.5	$0.6

FY 2001 Achievements

- In FY 2001, the Printing and Graphics business line avoided increasing its overhead expense by charging customers directly for graphics services that can be traced to benefiting program customers.
- The Business Line reduced the overhead cost on the sales of printed products that were transferred from the supply business in FY 2001 by 10%.
- The business line processed 1,628 print requests and 6,965 graphics requests for customers

Background

Printing services produce a complete range of high-quality printed products comparable to those available from a full-service commercial enterprise. The services include: mailing, shipping, and distribution; production of Government Printing Office (GPO) printed inserts to the daily Federal Register; production and duplication of various electronic informational media; and court reporting and transcription services.

The graphics business line provides onsite design and production services for all graphic products required by Headquarters offices. Products and services include but are not limited to the following: full color posters, various sized signs, exhibits, promotional materials, desktop publishing services, presentations, certificates, seminar materials, and output services. In addition, this business provides expertise and project oversight when coordinating work produced for DOE by commercial firms.

The business line also provides onsite photographic services for all Headquarters offices. Services include but are not limited to the following: Washington DC & metropolitan area photographic sessions, studio photography, passport & visa services, digital photography, and complete photo lab services.

The business line maintains DOE technology visuals in order to provide prints/slides to Department-wide program personnel and the public sector. In addition, this business catalogues and maintains negatives generated by Headquarters photo assignments.
For FY 2001, the business line added the sales of printed products, such as official DOE stationary, that had previously been sold through the Supplies business line.

Defining Success

The Printing and Graphics Business Line's goal is to provide quality printed and graphics services in an expeditious, timely, and efficient manner at the lowest cost to programs. The focus is on capacity, processes, and quality control.

Printing and Graphics Business Balanced Scorecard Objectives

Customer

Ensure that customers receive professional, prompt and courteous services.

Financial

Monitor and maintain contractual costs to the level of activity in relation to revenue generated. Monitor overhead to ensure it adequately covers the overhead operating costs. Reduce cost if it does not adequately cover operating costs.

Internal Processes

Evaluate and/or reengineer policies, procedures, and business practices to complement the printing and graphics modernization initiative.

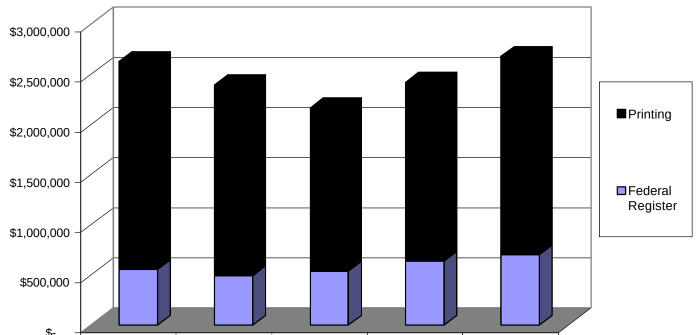
Learning and Growth

Develop and implement strategies to deploy technology and training to employees, administrative staff, and supervisors, so that they become integral partners in the printing and graphics modernization process.

Business Line Trends

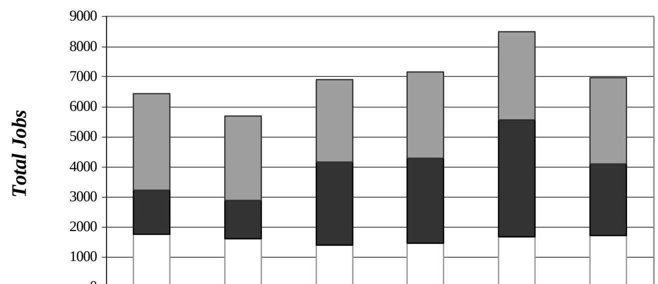
Printing Services Business Line

5 Year Comparison of Jobs Processed-***Working Capital Fund***



	FY '97	FY '98	FY '99	FY '00	FY '01
Printing	$2,073,124	$1,900,389	$1,624,689	$1,784,176	$1,977,177
Federal Register	$557,124	$497,359	$542,060	$638,261	$703,258

Visual Media Services - Workload Trends



	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
Graphics	3223	2816	2731	2863	2926	2855
ETVC	1460	1279	2777	2825	3885	2393
Photo	1765	1606	1393	1475	1690	1717

FY 2001 Financial Overview

The **Printing and Graphics** business line earned $0.5 million in excess of expenses. Some of these earnings ($0.2 M) were related to new product offerings of pre-printed stationary and non-standard graphics services. The business also did not accrue for support services ($0.2 M), which expenses will impact net earnings for the business in FY 2002.

Business Line Plans and Anticipated Issues

The Printing and Graphics Business Line has identified the following as key objectives to be implemented:

- Provide password access to all customers for tracking jobs and financial data on the Printing/Graphics web-based tracking system.

- Maintain overhead at a manageable level. Monitor overhead to ensure it adequately covers the overhead and operating costs. Reduce cost if it does not adequately cover operating costs.

- Based on availability of funds, digitize all photo images (20,000) for online access. As a second phase to this project, Visual Media will research and pursue the installation of a powerful file server with an open architecture image database to manage a large capacity DVD juke-box storage unit.

Business Line Officials

Mary R. Anderson, mary.Anderson@hr.doe.gov, 202-586-4318, Business Line Manager
David Melander, david.melander@hr.doe.gov, 202-586-2732, Graphics Point of Contact
Dallas Woodruff, dallas.woodruff@hr.doe.gov, 202-586-4318, Printing Point of Contact

Building Occupancy Business Line

FY 2001 Annual Report

Financial Summary	FY 2001 Earnings *(thousands)*	FY 2001 Expenses *(thousands)*	Net Earnings FY 2001 *(thousands)*	Net Earnings FY 1997-2001 *(thousands)*
	$56.4	$51.7	$4.8	$6.9

FY 2001 Achievements

- Renovated and upgraded Conference Room 6E-069, as well as the 4th Floor Snack Bar.
- Eliminated 16 of 112 barriers to persons with disabilities. (Total to date: 64 of 112 barriers eliminated). Conducted Biennial Audit of Facilities and consolidated the remaining 48 from the 1999 Audit with the 47 new findings from the report. We have eliminated 16 of the 95 to date 16.8%.
- Installed energy efficient fragment retention film on all the windows of the Forrestal Building.
- Installed/upgraded all vertical blinds at Forrestal.
- Awarded contract to install 1750 KW diesel generator system for Germantown. Installation in progress to be completed in Feb '02.
- Replaced/upgraded all dry type electrical transformers at Germantown.
- Reduced rent at Forrestal by $6M. $3M in savings returned to the customers. $3M used to initiate infrastructure improvement program which will continue each F.Y.

Background

The products and services provided by the Building Occupancy Business Line include: space assignment and utilization, utilities, cleaning services, snow removal, maintenance, pest control, trash removal, waste recycling, drafting, construction management and inspection, engineering, lock repair and key management, safety and occupational health, and conference support. These services are provided at a standard level of service and an above standard level of service. The standard level of service is to provide the basics of a safe, healthy, warm, and adequately lit shell. Renovations within a suite of offices for the benefit of the program office are considered to be above the standard level of service for which programs are billed. The mission of this business line is to provide the most expeditious and efficient service in a safe and healthy environment to the members of the DOE program offices and to achieve the highest possible customer satisfaction in accordance with the Federal Property Management Regulations. The Building Occupancy business line is led by a management team whose combined backgrounds consist of over 235 years of corporate knowledge in occupancy allocation, building maintenance and operations, as well as engineering and facilities management. The staff is a diverse, quality workforce consisting of trade and professional personnel, federal staff, and contractors.

Defining Success

To monitor the business line's service performance, the business line monitors several metrics. These include cost per square foot of both government owned and leased space, cost per person, the number of employees housed, vacancy rate, and the total square footage of space utilized. The Balance Scorecard objectives in the Building Occupancy Business Plan are as follows:

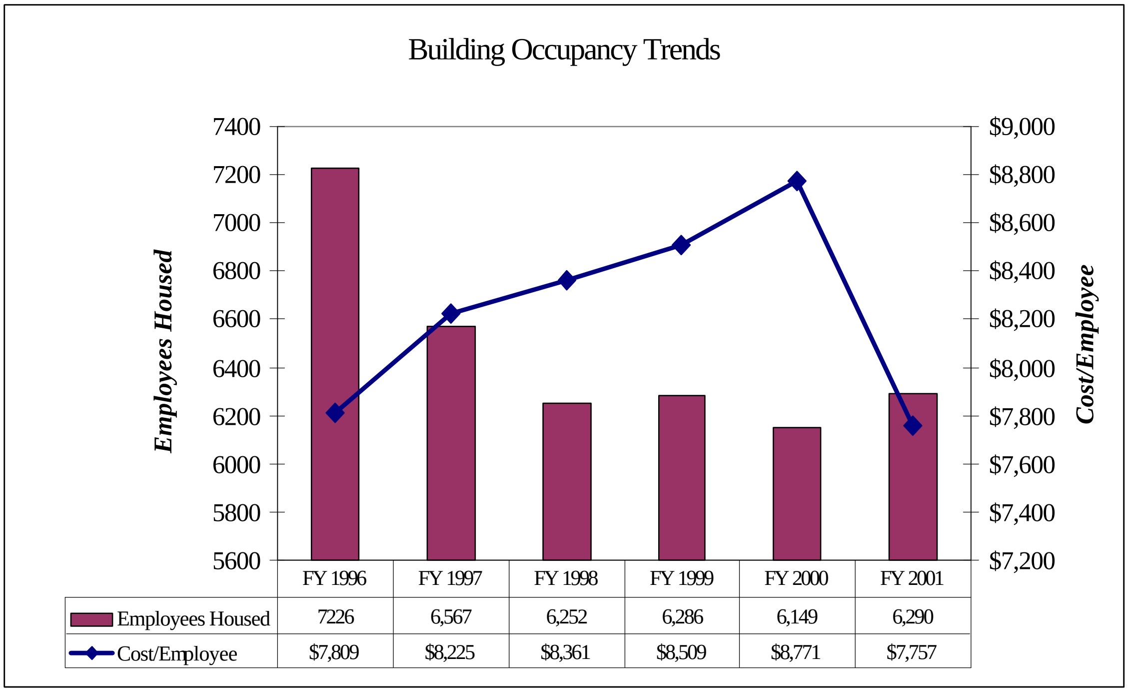
Building Occupancy Business Balanced Scorecard Objectives

	Customer	
	Improve customer satisfaction.	
Financial		***Internal Processes***
Reduce cost per person.		Operate and maintain equipment and systems in a manner that will provide for orderly operations of the Department, be environmentally responsible, and ensure preservation of the Government's real property assets.
	Learning and Growth	
	Improve knowledge, skills and abilities of business line staff in support of business systems and business line mission.	

Business Line Trends

The Fund was created during a period of Headquarters downsizing, and the number of Federal and contractor employees housed in FY 2001 was approximately 1000 lower than in FY 1996. (See bars on the graph below). During the early years of the Fund, the cost per employee housed tended to increase, but this trend was reversed during FY 2001. As a result, the nominal dollar space cost per employee in FY 2001 was actually slightly below the FY 1996 level.

The table on the following page displays selected metrics for the Building Occupancy business line. It indicates that the overall area occupied by Headquarters has remained stable since FY 1999. The occupancy rate improved in FY 2001, and the number of accidents and injuries has declined.



Building Occupancy Business Line Metrics						
	PRE-WCF	**WCF**				
Metric	**FY 1996**	**FY 1997**	**FY 1998**	**FY 1999**	**FY 2000**	**FY 2001**
Total square footage	2,434,909	2,412,845	2,380,439	2,319,269	2,319,269	2,319,269
Employees Housed	7226	6,567	6,252	6,286	6,149	6,290
Cost per Square Foot (owned)	-	$22.38	$22.41	$23.11	$23.19	$20.13
Cost per Square Foot (leased)	-	$23.49	$23.49	$22.85	$23.85	$27.50
Cost per person	$7,809	$8,225	$8,361	$8,509	$8,771	$7,757
Vacancy Rate	-	1.82%	2.99%	1.82%	1.75%	0.37%
Rent (in *000's)	$56,428	$54,011	$52,271	$53,489	$53,933	$49,077
Accidents/Injuries	75	76	75	69	59	57
Square Feet Per Employee	337	367	381	369	377	369

FY 2001 Financial Overview

The building occupancy business line earned $4.8 million in excess of expenses in FY 2001, bringing net earnings over a five-year period to $6.9 million, or 2.5% of costs. These excess earnings are composed of several components as follows:

- The Management and Administration organization contributed $1.6 million to the business line in order to fund certain contractual costs in the early months of the Fund. In addition to $0.5 million WCF funds, these funds have continued to be obligated toward the end of each fiscal year on custodial, elevator maintenance, utility and conferencing contracts, for which expenses are incurred early in the following year.

- The business line initiated $3 million in infrastructure improvements during FY 2001, pursuant to Board-approved plans, including an emergency power generator for the Germantown complex. Customers were billed for these improvements in FY 2001, but actual contract expenses ($2.7 million) will occur in later years.

- Shut down of the procurement processing in August caused $0.6 million of funding to remain unobligated, which would normally have been processed during September. This funding is committed to FY 2002 activities.

- During FY 2001, the Department saved approximately $1.5 million because of GSA rent adjustments that had been anticipated but which did not become fully implemented.

Business Line Plans and Anticipated Issues

The growth of the NNSA during FY 2002 by an estimated 147 persons is expected to affect the FY 2002 and FY 2003 business line budgets and activities. The NNSA has requested the leasing of over 73,000 square feet of space at 955 L'Enfant Plaza to accommodate this growth. Following needed renovations in FY 2002, elements of NNSA will move to the L’Enfant Plaza space. Forrestal space thus vacated will then be configured to accommodate additional NNSA personnel. Overall, this is expected to increase the average cost per square foot and per employee in the Headquarters complex.

Business Line Officials

Louis A. D'Angelo, III, Manager

Telephone Business Line

WORKING CAPITAL FUND
U.S. DEPARTMENT OF ENERGY

Financial Summary

FY 2001 Earnings *(millions)*	FY 2001 Expenses *(millions)*	Net Earnings FY 2001 *(millions)*	Net Earnings FY 1997-2000 *(millions)*
$6.8	$6.6	$0.2	-$1.3

FY 2001 Achievements

- Replaced the Battery plant at the Forrestal and Germantown complex that provides backup power for the MSL-100 Telephone Switch.
- Completed phase two of "Keep It Current" (KICII) MSL100 Telephone Switch Software Upgrade. This upgrade brought both the FORS and GTN MSL100 Switches from software level MSL10 to MSL12.
- Completed the replacement of the GSA Centrex Service serving the 950 L'Enfant Plaza location with a Nortel Option 11C Telephone Switch and an Octel 250 Voice Mail System
- Provided voice and LAN support during the transition of the new Administration, the formation of the NNSA organization and the reorganization of the Office MBE.
- Coordinated voice support services in the relocation of the Office of Naval Reactors from Crystal City to the Navy Yard.
- Implemented FTS2001, long distance service, reducing rates from $0.05 to $0.03 per minute.
- Implemented new contract for local phone service that will save $54,000 annually.

Background

Since the inception of the WCF in 1997, this business has provided reliable telephone services in support of DOE programmatic missions. It provides telephone service for approximately 13,000 users in the Department's Headquarters facilities in Washington, D.C. and Germantown, Maryland. The telephone system infrastructure is comprised of two large Northern Telecom SL100 PBX's (one for each headquarters building) and includes local, long distance, and international dialing provided through the headquarters telephone system. It also includes specialized services such as:

- Operator-assisted calls (including large audio conference calls)
- Voice mail, three-way calling, call forwarding, 800 telephone services, custom calling

cards for domestic and international calling
- Video conference calling at variable speeds
- Technical personnel to install repair and operate the system
- Support personnel to administer service order implementation, billing, and charge back processes required to process the DOE HQ's user organizations service needs

Headquarters telephone system infrastructure facilities and access to the Washington Metropolitan Area local telephone exchanges is provided by Verizon Communications under the GSA WITS2001 contract, which became effective on October 1, 2000. Domestic long distance calling services and video conferencing services are provided by WORLDCOM under the GSA FTS2001 contract. AT&T provides International calling services and calling card services (domestic and international) under the GSA International Direct Distance Dialing (IDDD) contract. Contractor personnel provide technical and administrative support for these services.

Defining Success

Customer satisfaction is one of our key goals. The small number of user complaints and the following telephone service statistics indicate that we are meeting our goals:
- Telephone reliability of 99.8%
- Not more than 3.5 outbound calls blocked per 10,000 calls placed

Reliable telephone service is a critical element in each DOE organization's ability to successfully fulfill its mission. Defining and satisfying user requirements in a timely manner are our major objective. Our improved method for scheduling and tracking "Meet Me" conference calls allows operators to handle the growing demand for conference services without adding to the work force, while significantly improving customer service. The system also sends an e-mail confirmation to the person requesting the conference.

Business Line Trends

Telephone service technology changes will continue at a rapid rate as Internet Protocol (IP) technology and broadband facility management provides for bundling of telephone, data and video services to achieve an overall lower cost and better utilization of available telephone facilities.

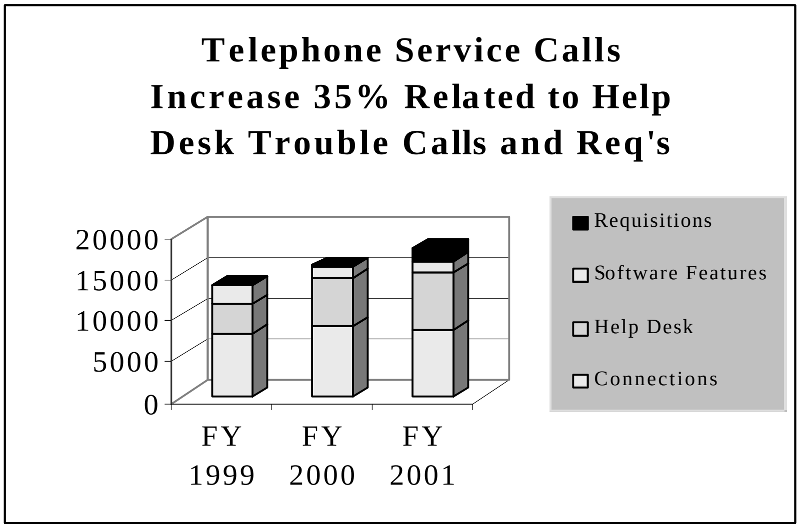
The telephone system is maintained at a service and equipment availability level to accommodate changing program requirements. Plans for upgrading existing equipment and implementing new technology ensures continuous and reliable telephone service to Headquarter users. Although the business has not earned enough to cover capital depreciation, ongoing maintenance has extended the useful life of capital equipment through FY 2010.

The business line saw a decrease in local and long distance calling of less than 1% but the number of calls placed on the internal exchange increased by almost 5%. Year-to-year variations in internal calls have been small, most likely because the number of Headquarters employees has remained relatively constant.

Telephone usage in millions of calls per year is shown in the below table:

Millions of calls/year	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
Local	4.8	3.5	5.6	4.6	4.5	4.4
FTS2000/FTS2001	6.3	4.8	3.9	3.7	3.7	3.3
Internal (PBX)	Unknown	Unknown	29.9	29.1	30.5	28.2

Demand for Telephone services has been strong over the last three years. Below is a graph of trends for customer service calls.



FY 2001 Financial Overview

The Telephone business line earned $0.2 M more than expenses in FY 2001 and $1.3 M of losses since the inception of the fund. These losses result from depreciation charges for capital equipment, which are non-fund losses and do not represent a liability to the Fund.

Business Line Plans

The business will increase the Conference Bridge capacity on the Forrestal and Germantown MSL100 Switch in 1QTR of FY2002.

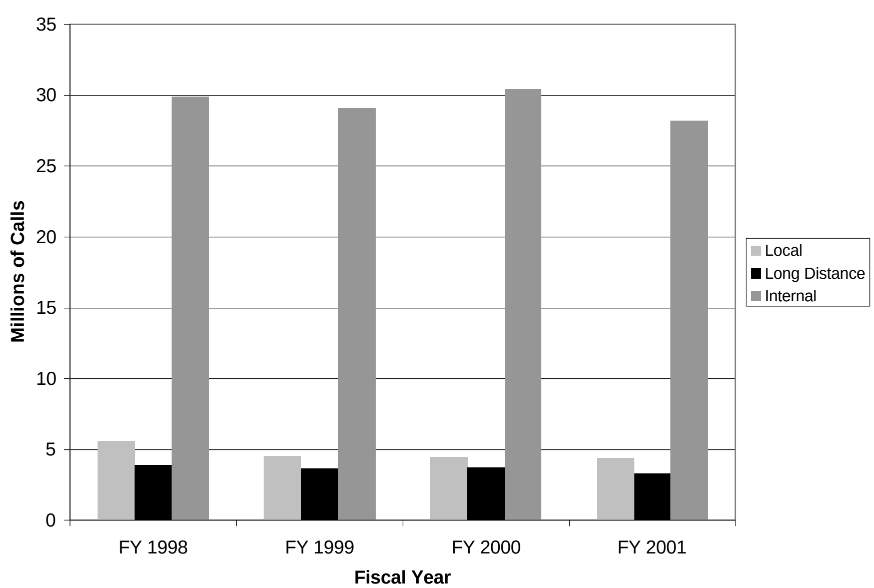
Phase two of "Keep It Current" (KICII) MSL100 Switch Software Upgrade is scheduled for 1QTR of FY2002. This upgrade will bring both the FORS and GTN MSL100 Switches from software level MSL 12 to MSL15

NNSA is scheduled to relocate approximately 260 NN personnel from Forrestal to 955 L'Enfant Plaza in 3QTR of FY2002. A remote switch system off of the Forrestal PBX has been proposed to meet the requested level of capability by NNSA and has been tentatively accepted for providing voice services to the location.

The DOE is scheduled to receive a Voice Over Internet Protocol (VOIP) demonstration package for 20 users in 2QTR of FY2002

The figure below shows Headquarters telephone usage for the past three years.

Headquarters Telephone Usage



Business Line Officials

Gordon Errington, Owner
Judy Saylor and Richard Otis, Technical Monitors

Desktop Maintenance Business Line

FY 2001 Annual Report

Financial Summary	FY 2001 Earnings	FY 2001 Expenses	Net Earnings FY 2001	Net Earnings FY 1997-2001
	$1.4	$1.5	-$0.1	-$0.3

FY 2001 Achievements

- 95% customer satisfaction on work performed by the technical staff.
- 3,657 service requests responded to by four technicians and two helpdesk analysts for all DOE Headquarters Offices.
- 749 employees attended training classes offered through the Information Technology (IT) Training Program with sustained class rating of 3.8 out of a possible 4.0.
- 95 new client accommodations were addressed.
- 61,600 virus incidents were addressed.

Background

The Desktop Business Line has been a part of the Working Capital Fund (WCF) since its inception. This business provides complete desktop maintenance services, by "Q" cleared technicians, for a wide variety of personal computers, fax machines and printers and third-party maintenance contracts for equipment that cannot be repaired in-house. It also provides for workstation infrastructure services, such as common desktop software application support, virus support, and adaptive workstation support, all of which is provided though a centralized Infrastructure Support Center. For hardware maintenance there are two hardware maintenance facilities, one in the main Germanton building, which services all offices in the greater Germantown area, and the other in the Forrestal building, which services all offices in Washington, D.C., area. Other functions include the following:

- Order parts and computer components as an integral part of satisfying customer needs
- Install new hardware, when requested, to include data migrations.
- Relocate equipment, including disconnects and reconnects of desktop equipment.
- Sanitize hard drives, when requested, in order to process excess equipment.
- Investigate and control computer viruses.
- Resolve problems for common/supported desktop software applications.
- Provide disabilities accommodations services for employees with various functional limitations.
- Provide disk media recovery services.

Defining Success

The desktop business line is successful when the customer's desktop is active and productive. This success relies on the following three primary factors**:** user productivity, system availability, and addressing the threat of intrusion. This business is structured to maximize performance in these three areas. Success can also be defined as delivering timely and outstanding service to our customer base with a much-reduced staff over a wide geographic area with extremely high customer satisfaction ratings.

Desktop Maintenance Business Balanced Scorecard Objectives

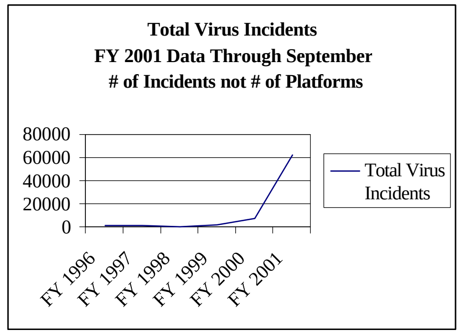
	Customer Provide timely and accurate Infrastructure Support service to all DOE program customers at Headquarters on demand.	
Financial Continue fee for service customer billing by linking the basis for vendor billing with customer billing.		***Internal Processes*** Examine every possible avenue to refine and/or redefine the service offerings, including possible removal of the Hardware Maintenance component from the WCF.
	Learning and Growth Utilize lessons learned and technology, wherever possible, to ensure sound business practices.	

Business Line Trends

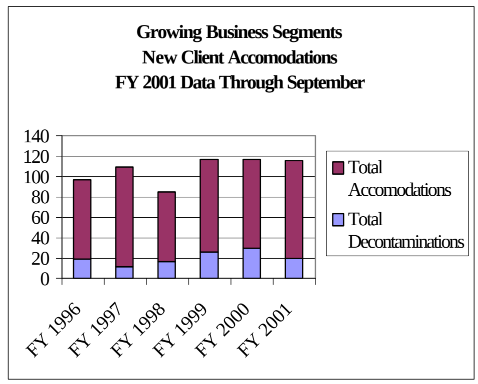
Hardware Maintenance: The Hardware Maintenance component of this business line has historically enjoyed success with respect to the services performed over the years. Before it was made part of the WCF, there were sufficient resources (26 technicians) to perform the work required as well as high priority requests. Once funding was provided by the WCF, business line managers chose a team of four technicians to provide continuous service. Unfortunately, the existing contract was structured so that a fixed monthly price was charged for the technicians, although revenues were based on actual usage. Any down time resulted in business losses. A review and restructuring of this task is currently in process.

Infrastructure Support Services: <u>Virus Protection Plan</u>: Workload requirements for the Virus Protection Plan have increased significantly since 1996 because the number of decontaminations increased annually, while the number of workstations and servers to be cleared has increased exponentially and computer viruses have grown significantly in numbers and sophistication.

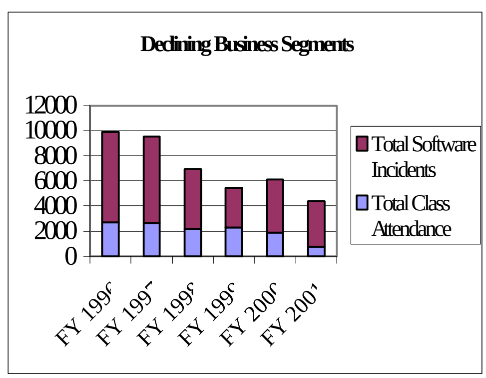
Software Support: Since inception of the WCF in FY 1997, this function has seen a significant reduction in staff to a total of 2 analysts. This reduction is due to increases in dedicated staff at the programs and the declining service requirements of computer literate staff.



Disabilities Accommodations Program: Since the establishment of the Working Capital Fund (WCF) in FY 1997 the Assistive Technologies Program (Adaptive Workstation Support Task) client base has continued to experience notable growth, and services performed have remained comprehensive. Assistive technology is frequently the vehicle that facilitates appropriate accommodations. Concurrent with this new legislation, the demand for those workers with disabilities is growing in order to fill a gap in the traditional workforce. As the number of employees at DOE with disabilities continues to grow, it is expected that the WCF will increase the necessary funding to accommodate this growth and with it, the need and demand for new technological advances in Computer Technology.



Information Technology Training: This program has been in existence since mid to late 1980's when personal computer technology hit the desktop. This program was one of the original fee-for-service components of the Desktop Business Line. During FY2001, this program experienced an all-time low utilization, and effective August 1, 2001, the program was suspended.



FY 2001 Financial Overview

This business lost $0.1 million due to declining demand for its services despite fixed supplier costs. The business is undergoing internal review for costs savings related to redefined supplier cost structure. As a result of the FY 2001Third Quarter Review the CIO contributed $255 thousand to offset losses and build up equity in the business. For this reason the business will offset an equal amount of losses.

Business Line Plans and Anticipated Issues

The Hardware Maintenance component of this Business Line is in the process of being restructured to ensure solvency. This could include total removal from the WCF and restructuring of the service for operation outside the WCF. The results of this review are yet to be determined.

The Virus Protection and Decontamination component of this Business Line are tremendously under staffed for contending with the demands in today's threatening environment. The statistics alone reflect the magnitude of the increase in scope. And, with the heightened security threat to our Nation, virus protection is an area where we cannot let down our guard. It is highly recommended that resources for this program be increased commensurate with the risk and already existing workloads that must be supported. The resources available today are not sufficient to enable the existing team to develop a proactive posture to deal with the threat. And, the time to cleanup incidents is growing longer and longer as our decontamination and eradication procedures pale when compared to the speed at which viruses and sensitive/classified material can infect systems today.

This business line and most of the IT support staff for the Headquarters program offices rely on the operation and functionality of the help desk software application commonly referred to as Applix. Applix originated within the CIO's organization and was adopted as a project by the Headquarters IT Collaboration Group. Funding to cover the initial software licenses, installation support, and technical training, was provided by most of the major program offices in FY97. We need to review our pricing policy for this item to ensure continued functionality of Applix.

Business Line Officials

Business Line Owner	Jeanne Beard	202-586-6258	Jeanne.beard@hq.doe.gov

Service Manager Hardware Maintenance	Don Reed	301-903-2372	Don.reed@hq.doe.gov
Service Manager Software Support	Penny Gardner	301-903-5413	Penny.gardner@hq.doe.gov
Service Manager Virus Protection	Cliff Hoyt	301-903-5237	Clifford.hoyt@hq.doe.gov
Service Manager Adaptive Workstation	Alton McPhaul	202-586-1342	Alton.mcphaul@hq.doe.gov

Network Business Line

FY 2001 Earnings *(millions)*	FY 2001 Expenses *(millions))*	Net Earnings FY 2001 *(millions)*	Net Earnings FY 1997-2001 *(millions)*
$6.2	$7.0	-$0.8	$0.3

Financial Summary

FY 2001 Achievements

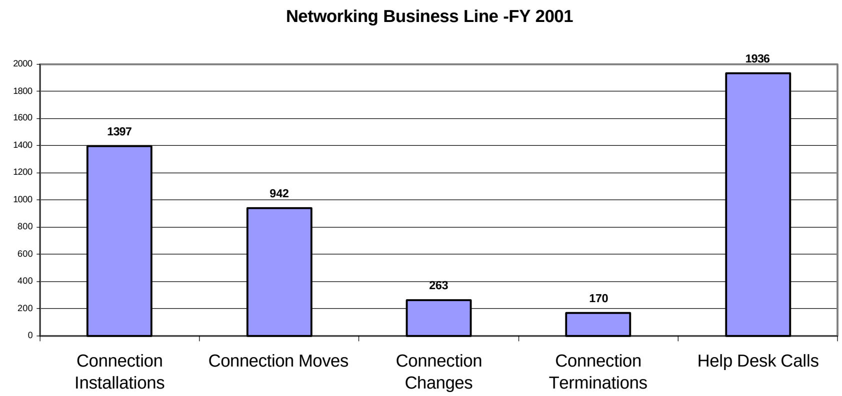
- Maintained network infrastructure availability for our users at greater than 99.9%.
- Improved the help desk by implementing a Call Telephony Integration (CTI) product for improved help-desk management and responsiveness to customers' problems and expanding help-desk on-site availability by 25% (6 AM - 9 PM) without additional cost.
- Upgraded DOE Internet connection to a full DS-3 circuit with a Permanent Virtual Circuit of 45mb (a 300% improvement in throughput), which provides more responsive and reliable Internet connections.
- Upgraded the network infrastructure fabric from a shared 10-megabit connection to a switched 100 MB connection, providing improved network response to HQ customers located at the Corp 270 location.
- Completed the cabling and switching network infrastructure upgrade at the Forrestal building.
- Completed the installation of cabling and network infrastructure at the new Middlebrook building (SC).
- Planned and executed the conversion of the EM network and users to the HQ network backbone. Provided HQ ISP services to the EM community resulting in an annual savings of $74,000.
- Implemented enhanced network performance monitoring and reporting by integrating multiple components (APPLIX, HP OpenView and Concord NetHealth) under a single enterprise level management tool (Tivoli). Developed and began daily distribution of network infrastructure performance reporting for 9 major program offices within HQ. Currently, daily, weekly and monthly performance reports are posted to the CIO website.
- Established virtual private network (VPN) connectivity capability for remote users.
- Began the implementation of the DOEHQ Network Security Infrastructure Upgrade Project. This project will upgrade the core network-switching infrastructure to permit implementation of a more efficient and secure switching capability.

Background

This business line provides network connectivity service for approximately 8,000 users in the Department’s Headquarters facilities in Washington, D.C. and in Germantown, Maryland. The network infrastructure is comprised of four ATM switches, 16 routers, 600 closet switches and the various interconnecting cabling and cable runs to the individual user locations. The business line also provides Internet connectivity for a majority of DOE HQ customers. It includes services such as:

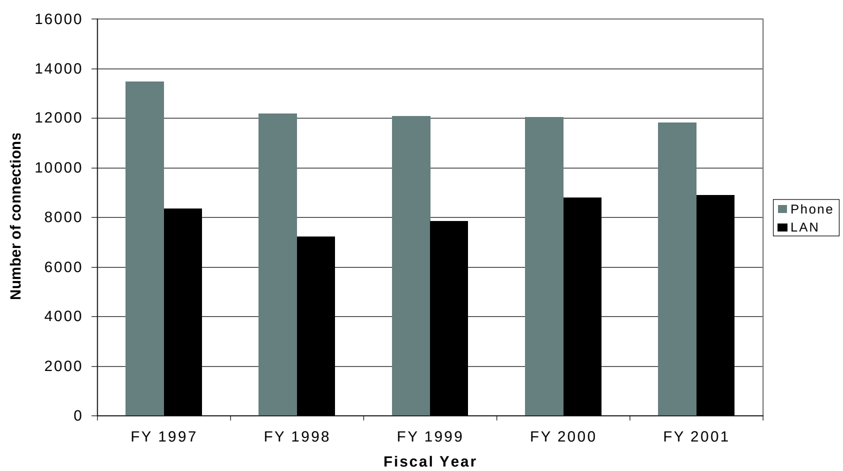
- Installations, moves, and changes of Network connection and infrastructure components
- Installation and management of the Network circuits connecting the DOE "campus" facilities
- Domain Name Service (DNS) management and maintenance
- Technical personnel to install, manage, and maintain the network infrastructure
- Hardware and software maintenance for all network infrastructure components

During FY 2001, the Network business line staff responded to the following service calls:



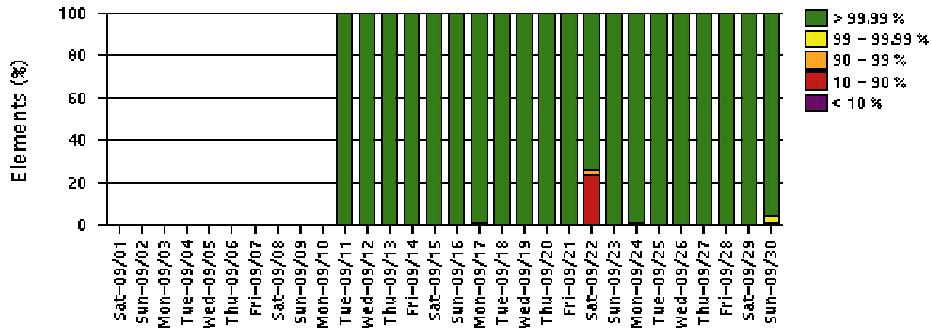
While the number of employees housed in Headquarters facilities decreased by 2%, the need for LAN access continues to increase. The figure below shows how the number of telephone and LAN connections has varied over the years.

Headquarters Telephone and LAN Connections



Defining Success

Network services are a critical element in the ability of all DOE organizations to successfully carry out their missions. The Headquarters network services organization success is measured on our ability to define and provide user service requirements in a time frame that meets their needs and to maintain a reliable service to meet those needs. Network availability statistics provide the key measure of the success of the networking services group. The recent implementation of Concord NetHealth will enable us to provide daily weekly and monthly network availability reports. Although reports are not available for the full year, a sample monthly report is enclosed.



Customer satisfaction is measured by personal contact with critical customers, help desk feedback on completed trouble tickets and by direct feedback from users in the form of complaints. Customer satisfaction, measured by these methods, is judged to be very high.

Financial Performance Overview

The network business line earned $0.8 M less than expenses due to prior year DynCorp costs ($0.5 M) and DOEnet ($0.2 M) charges to customers declining faster than supplier costs to the business. Over the 5-year period the line has been in operation net earnings have been $0.3 million. Much of these earnings have been used for needed capital acquisitions to assure quality and continuity of service to customers.

Business Line Trends

This business line provides network connectivity service for approximately 8,000 users in the Department's Headquarters facilities in Washington, D.C. and in Germantown, Maryland. It has upgraded and modernized the network infrastructure to respond to growing customer requirements. The growth of technology, particularly IP-based services (including voice and video), will continue for the foreseeable future. This growth will demand that the network services provided to our customers become more sophisticated, robust and flexible. The Networking Services group is prepared to meet that challenge with adequate network infrastructure cost recovery rates.

Business Line Plans

The Network business line is growing primarily due to new services offered to existing users. New services include desktop IP video conferencing that will be done over the network, i.e., the LAN; DHCP; improved Internet connectivity; and upgrading existing hardware to permit faster throughput for network users.

Continue to evaluate the cost of DOEnet and other services and when warranted reduce costs of service or increase the level of service to meet changes in customer needs and to implement appropriate new technology.

Business Line Officials

Gordon Errington, Owner
Richard Otis, Technical Monitor

Contract Closeout Business Line

FY 2001 Annual Report

Financial Summary

FY 2001 Earnings *(millions)*	FY 2001 Expenses *(millions)*	Net Earnings FY 2001 *(millions)*	Net Earnings FY 1997-2001 *(millions)*
$0.7	$0.6	$0.2	$0.3

FY 2001 Achievements

$ Returned $4.7 million of deobligated balances to the Department.

Background

The closeout process assures that all terms and conditions of the instrument have been fulfilled, all financial information has been submitted and evaluated, final payment has been made, any remaining funds have been deobligated, and the instrument is administratively retired from the Procurement Automated Data System (PADS). The retired instrument is boxed and stored locally or shipped to a federal storage facility. Instrument types include purchase and delivery orders, firm fixed price contracts, interagency agreements, financial assistance instruments, and cost reimbursement contracts.

Defining Success

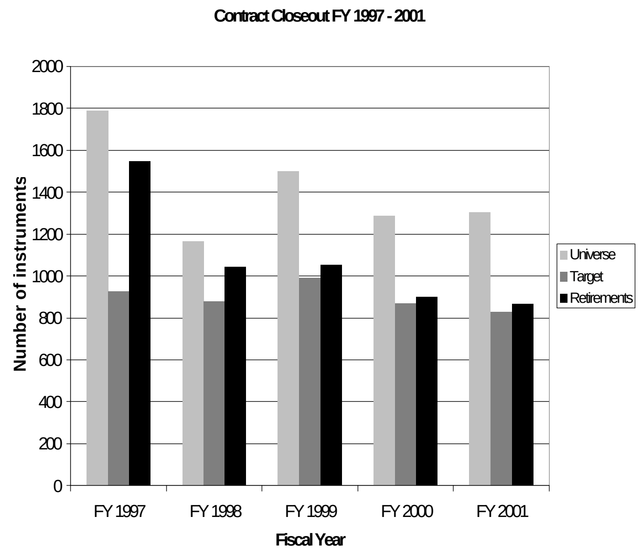
We use the following metric to measure our performance: Retiring targeted instruments and returning unutilized funding balances to the Department.

Contract Closeout Business Balanced Scorecard Objectives

	Customer	
	Provide competent and accurate closeout of targeted instruments.	
Financial		***Internal Processes***
Improve the availability of funding to programs.		Improve contract closeout to accommodate changing contract types.
	Learning and Growth	
	Improve knowledge, skills, and abilities of staff and improve business systems that support the business line.	

Business Line Projections

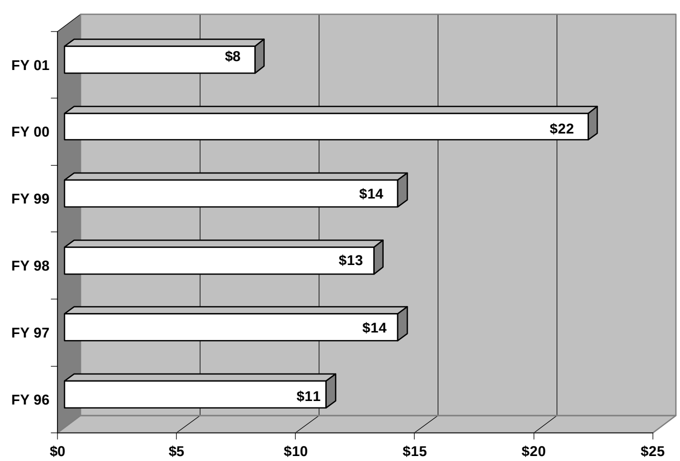
The inventory of Headquarters contracts, financial assistance instruments, and interagency agreements awaiting closeout has experienced a steadily decreasing trend during the four years that this activity has been a Working Capital Fund business. The inventory has decreased by 60% from 2,927 instruments in FY 1996 to 1,161 instruments by the end of FY 2001. With this reduction in the backlog of aged instruments, the contract closeout business line is operating with a manageable inventory. This was achieved through customer/supplier cooperation.



Customers have agreed to finance annually the closeout of approximately the number of new instruments becoming available for closeout, stabilizing the inventory, and, as shown in the comparison of annual targets to actual retirements, the business line is meeting the promised number of retired instruments in accordance with service agreements.

Contract Closeout Return on Investment

Dollars Deobligated/Dollars Expended



In FY 2001, the business line activity resulted in a total of $4.7 million of contract deobligations. This returns spending authority to mission programs to apply to high priority needs. As shown in the following chart, there was $8 in deobligations for each $1 charged to customers. The business line no longer expects historically high deobligations as the mix of contracts has changed and programs are more efficient in their contract obligations.

Financial Overview

The Closeout business line earned $0.2 million in excess of expenses. The business line is reviewing possible ways to invest this equity to reduce future closeout costs.

Business Line Official

Jeffrey Rubenstein Jeffrey.Rubenstein@hq.doe.gov (202) 287-1516 Business Line Manager

Payroll Business Line

FY 2001 Annual Report

Financial Summary	FY 2001 Earnings *(thousands)*	FY 2001 Expenses *(thousands)*	Net Earnings FY 2001 *(thousands)*	Net Earnings FY 1997-2001 *(thousands)*
	$3.1	$2.0	$1.1	$0.5

FY 2001 Achievements

- 100 % on time delivery of employee paychecks.
- 99 % of paychecks delivered through electronic funds transfer.
- Completed an independent study to identify alternatives and determine the feasibility of outsourcing the payroll functions.
- Partnered with CHRIS-HR to enhance the ESS that provides employees with electronic Leave and Earnings Statements and allows employees to independently submit requests to affect their payroll deductions and/or entitlements
- Implemented an imaging and electronic document tracking system that eliminated the need to retain paper documentation and generated increased control and efficiency.

Background

The Payroll Business Line was added to the Fund in FY 1998 to finance the preparation of the biweekly payroll for approximately 12,000 Department of Energy civilian employees.[1] In addition to preparing the payroll, the business line performs the following functions:

- Computes deposits, and reports Federal, State, and local income taxes;
- Maintains employee records related to Civil Service and Federal Employees Retirement Systems (CSRS and FERS);
- Reports retirement information to the Office of Personnel Management (OPM), and performs reconciliation of account balances with OPM and Treasury;
- Accounts and reports employee's health benefit coverage, thrift savings plans, and unemployment compensation, and other non-salary employee payments;
- Maintains the donated leave subsystem; and,
- Maintains and operates the Department's system of allocating payroll costs to the proper appropriation.

These functions are performed by a mix of Federal and contractor staff. As discussed further below, consideration is being given to options for outsourcing the provision of this service to the General Services Administration. Program offices are charged for payroll services based on the

[1] The Bonneville Power Administration and the Federal Energy Regulatory Administration operate separate payroll systems for their employees.

number of Federal civilian employees at the start of the fiscal year in their Headquarters offices and in the field offices that report administratively to their Lead Program Secretarial Officer (LPSO).

Defining Success

Delivering accurate employee paychecks on time is considered one of the most essential services offered for the Department, and the business line seeks to achieve this success at the lowest possible cost. The Balanced Scorecard objectives in the Payroll 5-year business plan are as follows:

Payroll Business Balanced Scorecard Objectives

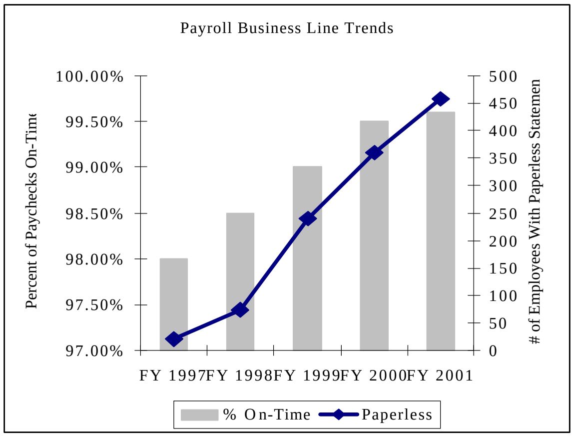
	Customer	
	Ensure that all employees are paid accurately and in a timely manner, and that supervisors and managers receive value-added reports	
Financial		***Internal Processes***
Develop and execute plans to implement a new payroll system that is most cost-effective to all DOE stakeholder		Evaluate and/or reengineer policies, procedures, and business practices to complement the payroll system modernization initiative.
	Learning and Growth	
	Develop and implement strategies to deploy technology and training to employees, administrative staff, and supervisors, so that they become integral partners in the payroll modernization process.	

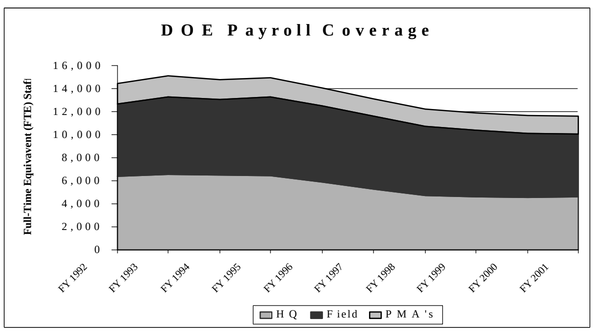
Business Line Trends

The number of employees served by the Payroll Business Line has declined over the past decade, though the rate of decline slowed during the period in which the Business Line has been in the Fund.

The timeliness of payroll process has been at a 100% performance level over the past five years. To reduce administrative costs, employees are encouraged to receive their Earnings and Leave Statements (ELS) electronically through the Employee Self Service (ESS) feature of the Corporate

Human Resources Information System (CHRIS). The figure below illustrates that the percentage of employees electing to receive statements electronically, rather than through the mail. If everyone were to receive their ELSs the Payroll Business Line could potentially save $100,000 annually. Additional efficiencies could be realized if all requested changes to payroll deductions were received electronically. Set forth below are recent performance measures that will be used to track trend for the future. Since the following are recent initiatives, there is inadequate historical data to show performance over multiple years.





FY 2001 Financial Overview

The Payroll Business Line experienced positive net earnings of $1.1 million in FY 2001 and $0.5 million since the inclusion of this business line in the Fund. Beyond these net earnings, the Department has contributed unearned equity of $2,244,000, outside of customer billings, related to appropriations for major modifications to the Payroll system. Over the coming years, it is expected that these resources will be used to finance the outsourcing of the current DOE operations to a more cost-effective service provider.

Business Line Plans and Anticipated Issues

Since the mid-1990's the Department has reviewed options for modernizing its payroll processing software. As discussed in last year's annual report, in 2000, management suspended the initiative to implement the PeopleSoft payroll module at Headquarters, as previously planned because of a significant number of gaps with the PeopleSoft application that could not be economically fixed in a timely manner. As an alternative, the Department has reviewed the option of outsourcing payroll operations to another Federal agency. During 2001, the WCF Board authorized the business to commission a business case analysis by Booz-Allen to compare the costs of outsourcing payroll operations to the General Services Administration (GSA) to the costs of continuing development of the PeopleSoft payroll module. The study projected costs for a ten-year period for each option and also considered the risks associated with each approach. Based on a presentation of this study, the Board authorized the business to engage in detailed discussions with GSA, including a technical analysis of implementation requirements.

Based on the progress to date, it is expected that the Department will be in a position in early calendar 2002 to decide whether to proceed with the cross-servicing arrangement with GSA. The finances of the business have been managed to give the Department flexibility in making this decision. Specifically, the business line has reduced spending to accumulate balances that can be used to finance the initial costs of converting current systems and practices to become compatible with the GSA systems.

Business Line Officials

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